

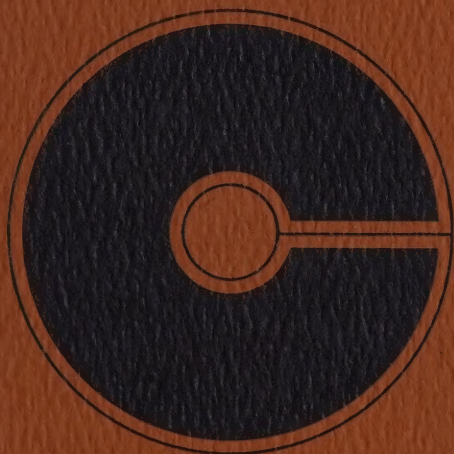
# **Cowichan Copper Co. Ltd.**

(No Personal Liability)

*Annual Report to Shareholders*  
*Year ended September 30, 1965*

AR48

File 98





# **Officers and Directors**

Oswood G. MacDonald .....	President and Director
Mark M. Tanz .....	Vice-President and Director
David Whiting .....	Vice-President and Director
Jack S. McIntosh .....	Managing Director
John McAvity .....	Director
Norman Skidmore .....	Director
Robert C. Smith .....	Secretary-Treasurer and Director
Hartley Graham .....	Mine Manager

## **Administrative Office**

620 Howe Street, Vancouver 1, B.C.

## **Mine Office**

Sunro Mine, Jordan River, B.C.



# President's Report

## TO THE SHAREHOLDERS:

The 13th Annual Report of your Company together with the financial statements and Auditor's Report thereon for the year ended September 30, 1965 and the review of operations by your Managing Director are submitted herewith.

These thirteen years have seen your Company bring the Blue Grouse claims on the south shore of Cowichan into production on a 500-ton basis, operate for three years and then close down for lack of developed ore.

These thirteen years then saw your Company lease and bring into production the Sunro property on a 1500-ton basis, operate for one year and then suspend production for two years to clean up the damage caused by floods.

Now in 1966, and for the third time, your Company is again producing copper, but this time in marked contrast to that of 1958 when copper dropped to 19¢. Now the price of copper on the London Metal Exchange is 65¢ approximately and shows no sign of weakening.

At the 1.63% grade of ore reserves this price means better than \$20.00 ore with \$14.00 profit, as compared to less than \$10.00 ore with a \$4.00 profit at the time we shut down December 1963.

Now the grade of copper that can be profitably mined is, of course, lower, which means increased ore reserves. Where before we required 1.63% grade to make \$4.00 per ton, now 1% is enough.

At these prices we should be able to retire all debts by the end of 1966.

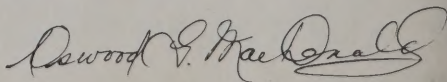
Hence the next few years should see us not only increasing capacity at Sunro but also resuming production at the Blue Grouse, thus completing the full cycle twice in both places.

Certainly for the next thirteen years we can look forward to a steady substantial improvement both as to growth and earnings of your Company, for we now are not only on a sound financial basis but also benefitting from the sound management provided by Aetna Investment Corporation Limited.

We would like to take this opportunity to thank all those who sustained the Company during very trying times whilst getting the mine back into production. In particular, special thanks should go to the shareholders, creditors, officers and employees of the Company.

To Mr. J. S. McIntosh, the Managing Director, to Mr. Hartley Graham, the Mine Manager and his staff, we wish to acknowledge and thank them for their untiring efforts that have brought the property back into production.

Respectfully submitted on behalf of the Board.



President

# Managing director's report

The President and Directors,  
Cowichan Copper Company Limited,  
Vancouver, B.C.

January 3, 1966

Gentlemen:

This report covers the Company operations during the year ending December 31, 1965.

## REHABILITATION

The Sunro Mine rehabilitation under the management of Aetna Investment Corporation was advanced to an operational stage by December 7, 1965, when production officially began.

The re-opening was marked by a visit from the Minister of Mines, the Honorable Donald Brothers, with other Government and Company officials to commemorate the production of the first concentrates since the Mine shut down in 1963.

## PRODUCTION

We estimate that we will mine and mill 20,000 tons of 1.60% copper ore in January 1966, increasing to 35,000 tons monthly at a 1.60% copper grade by March 1966.

In January 1966 we forecast an 80% recovery which will increase monthly to a 93% recovery target in March 1966.

## COSTS

The pre-production expenses have been kept within the estimated capital expenditure budget.

Initial operating costs are estimated at \$5.25 per ton, with per ton cost declining to \$4.25 by April 1966.

## RESERVES

Estimated proven ore reserves are 791,000 tons averaging 1.63% cu.

Diamond drilling "D" zone has strengthened previously indicated reserves of 300,000 tons of 1.4% copper. The drilling program will continue to evaluate the new Zone, and 3 other potential zones will be under exploration to supplement the reserves.

## MARKET

The British Metal Corporation (Canada) Limited was appointed as Marketing Agents for concentrate sales.

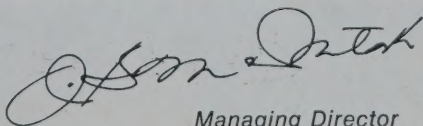
C. Tennant Sons and Company of New York are under contract to buy all the Sunro Mine concentrate for a 1 year period on a 100% London Metal Exchange price valuation.

## GENERAL

Detailed statistical data is unavailable at this early stage of resumed Mine production, but progress reports will be made early in 1966 and continue throughout the year.

We are indebted to Mr. Hartley Graham, your Resident Manager, and his entire staff for their drive and perseverance which put the Sunro Mine back into operation.

Respectfully submitted,



Managing Director



# Cowichan Copper Co. Ltd. (N.P.L.) Ba

## Assets

### CURRENT ASSETS

Accounts receivable .....		\$	6,025
Prepaid expenses .....			9,167
<b>TOTAL CURRENT ASSETS .....</b>		<b>\$</b>	<b>15,192</b>

### PROPERTY, PLANT AND EQUIPMENT, at cost

(Notes 5, 6 and 7)

Preproduction and development expenses on Sunro property .....	\$ 950,522		
Less — Amounts amortized .....	141,971	\$ 808,551	
Buildings .....	\$ 219,021		
Machinery and equipment .....	1,689,461		
Bulk loading facilities .....	264,451		
	<u>\$2,172,933</u>		
Less — Accumulated depreciation .....	742,269	1,430,664	
Land .....		<u>42,942</u>	2,282,157

### OTHER ASSETS AND DEFERRED CHARGES

Investments in and advances to associated companies			
Share investment, at cost (Note 2) .....	\$ 130,000		
Advances, less reserve .....	41,338	171,338	
Materials and supplies, at cost .....		27,659	
Deferred stope preparation costs .....		<u>240,782</u>	439,779

Approved on behalf of the Board

(Oswood G. MacDonald), *Director*

(Jack S. MacIntosh), *Director*

\$2,737,128

The accompanying notes are an integral part of this statement.

## Auditors Report

We have examined the balance sheet of Cowichan Columbia Corporation, as at September 30, 1965. Our examination included a general review of the accounts as we considered necessary in the circumstance. In our opinion the accompanying balance sheet fairly represents the position of the company as at September 30, 1965, and the principles applied on a basis consistent with that of the company.

November 19, 1965.

# Balance sheet as at September 30, 1965

## Liabilities

### CURRENT LIABILITIES

Bank indebtedness .....	\$ 15,310	
Accounts payable .....	110,059	
Wages payable .....	9,962	
Accrued liabilities .....	9,555	\$ 144,886

### Liabilities outstanding under arrangement with creditors (Note 3)

Bank demand loan .....	\$1,465,024	
Accounts payable .....	609,975	
Royalty payable (Note 4) .....	116,799	
Sunro property development loans, principal and interest (Note 5) .....	401,036	2,592,834

**TOTAL CURRENT LIABILITIES** ..... **\$2,737,720**

### ADVANCES FROM AETNA INVESTMENT

CORPORATION LIMITED (Note 6) ..... 335,000

MORTGAGE PAYABLE (Note 7) ..... 50,000

**TOTAL LIABILITIES** ..... **\$3,122,720**

## Share Capital and Deficit

### SHARE CAPITAL (Note 8)

Authorized

5,000,000 shares of no par value

Issued, fully paid

In consideration for:

Properties .....	800,000 shares	\$ 150,000
Cash .....	2,400,000 shares	1,634,006
Other .....	500,000 shares	125,000
	<u>3,700,000 shares</u>	<u>\$1,909,006</u>

DEFICIT, per statement attached ..... 2,294,598 (385,592)

**\$2,737,128**

opper Co. Ltd. (Non-Personal Liability), a British  
he statement of deficit for the year then ended.  
ounting records and other supporting evidence

statement of deficit present fairly the financial  
accordance with generally accepted accounting  
preceding year.

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants

# Statement of deficit

FOR THE YEAR ENDED SEPTEMBER 30, 1965

BALANCE September 30, 1964 .....		\$1,618,284
Add — Rehabilitation costs		
Dewatering, bulkheads and salvage .....	\$ 20,392	
Tunnel rehabilitation .....	208,960	
Mill rehabilitation .....	62,264	
Power rehabilitation .....	13,214	
Portal repair .....	11,634	316,464
— General, administrative and indirect expenses		
Management salaries .....	\$ 35,436	
Office salaries and expense .....	43,187	
Employees' welfare .....	8,645	
First aid and medical .....	2,456	
Travelling .....	9,552	
Shareholders' notices and stock transfer ....	6,697	
Exploration, engineering and geology .....	22,438	
Repairs and maintenance .....	9,810	
Pumping and ventilation .....	3,730	
Air and water lines .....	1,280	
Power .....	5,731	
Freight .....	2,089	
Property taxes, licenses and rentals .....	25,242	
Insurance .....	5,238	
Legal and audit .....	9,279	
General expenses .....	11,221	
Financing costs .....	4,579	
Interest and exchange .....	127,242	
	<u>\$333,852</u>	
Less — Miscellaneous income .....	23,738	310,114
— Inventories of broken ore and supplies written off .....		98,280
		<u>\$2,343,142</u>
Deduct— Decrease in provision for loss on advances to associated companies .....	\$ 13,717	
— Decrease in bank interest for prior year .....	32,440	
— Adjustments of prior years (net) .....	2,387	48,544
BALANCE September 30, 1965 .....		<u>\$2,294,598</u>

The accompanying notes are an integral part of this statement.



# Notes to financial statement

## 1. SUSPENSION OF OPERATIONS

Operations were suspended on December 6, 1963 following the flooding of a substantial portion of the Sunro Mine workings as a result of a breakthrough of the Jordan River. The Company has been engaged in a rehabilitation programme since that time, the cost of which has been charged to deficit. No depreciation has been provided during the period of suspension of operations. Company officials have estimated that additional expenditures of \$240,000 will be required to complete the rehabilitation and expect that this work will be completed in December, 1965.

## 2. INVESTMENT IN ASSOCIATED COMPANIES

The assets of associated companies are represented for the most part, by mining properties, mineral rights and preproduction costs and the realization of the Company's investment therein will be dependent upon the successful development of these mining properties.

## 3. ARRANGEMENT WITH CREDITORS

As a result of the suspension of operations, the Company made a proposal to its creditors on March 6, 1964 under the provisions of Section 27 of the Bankruptcy Act, 1952 R. S. C. Chapter 14, which was approved by the creditors on March 17, 1964 and by the Supreme Court of British Columbia on April 6, 1964.

Terms of the proposal provided that the Company would pay the claims of (1) secured creditors, as arranged between the parties, (2) preferred creditors, in cash, or as arranged between the parties, and (3) unsecured creditors, out of monthly profits after allowing for periodic repayment of future long-term financing.

## 4. PROPERTY LEASE AGREEMENT

Under an agreement dated September 7, 1965 with Sunro Mines Limited, the Company agreed, inter alia, to pay the arrears of royalty owing under the Principal Agreement at the rate of 50¢ per short dry ton of ore milled. The foregoing agreement also provides for a substantial reduction in royalties applicable to future production and now places the Principal Agreement in good standing.

## 5. SUNRO PROPERTY DEVELOPMENT LOANS

On August 9, 1961 the Company executed and delivered to Mitsui & Co. Ltd. a chattel mortgage charging certain items of equipment to secure payment of a loan, the outstanding balance of which became payable on or before March 31, 1964 as the result of the termination of an Ore Concentrate Agreement executed by the parties on August 9, 1961.

## 6. ADVANCES FROM AETNA INVESTMENT CORPORATION LIMITED

The Company entered into a Loan Agreement dated April 12, 1965 with Aetna Investment Corporation Limited (formerly Sheep Creek Mines Limited, and hereinafter called Aetna) whereby Aetna agreed, subject to certain terms and conditions, to advance sums not exceeding \$850,000 with interest thereon at 7% per annum.

The Company agreed to repay the principal sum together with interest as follows:

- (a) The first payment of accrued interest to be made on March 1, 1966,
- (b) \$400,000 principal plus accrued interest on or before December 31, 1966,
- (c) \$300,000 principal plus accrued interest on or before December 31, 1967, and
- (d) \$150,000 principal plus accrued interest on or before April 1, 1968.

(continued overleaf)

(continued)

However, without limiting in any way the foregoing obligations, the Loan Agreement also provides that the Company shall make loan repayments in amounts representing the greater of 66% of monthly operating profits or \$1.50 per ton of ore milled.

As security for the repayment of principal and interest, the Company issued a debenture to Aetna which constitutes a fixed and specific charge on the Company's freehold and leasehold lands and interests in land including all buildings, plant and equipment presently situated thereon or hereafter constructed thereon, and a first floating charge on all other presently-owned or hereinafter-acquired assets.

The Loan Agreement further provides for payment, out of operating profits, of the claims of creditors under the proposal and for Aetna to take over active management of the mine under a Management Agreement which expires on December 31, 1968. The Loan Agreement also restricts the payment of dividends or other distributions to shareholders until the said principal sum with interest has been repaid to Aetna, the total claims of creditors existing at September 1, 1965 have been satisfied and the working capital of the Company equals \$500,000.

## 7. MORTGAGE PAYABLE

The Company obtained a loan of \$50,000 from First National Mortgage Co. Ltd. on mortgage of certain lands. The principal sum is payable on February 15, 1967 and interest is payable quarterly at the rate of 18% per annum.

## 8. SHARE CAPITAL

The authorized share capital was increased from 3,000,000 to 5,000,000 shares of no par value effective March 8, 1965.

700,000 shares were issued and sold during the year at 40¢ per share to Nilco Investment Co. Ltd. as authorized by the Directors on March 12, 1965.

Pursuant to the Loan Agreement, referred to in Note 6, in consideration of Aetna Investment Corporation Limited (hereinafter called Aetna) agreeing to advance the sum of \$850,000, the Company:

- (a) Agreed to issue to Aetna as fully paid and non-assessable, 100,000 shares of no par value at the price of 1/10 of 1¢ per share after advances of \$400,000 have been received and an additional 100,000 shares at the same price on the basis of 12,500 shares for each additional advance of \$50,000,
- (b) Granted options to Aetna to purchase an additional 600,000 shares of no par value as follows:
  - 200,00 shares at 45¢ on or before November 30, 1966
  - 200,000 shares at 75¢ on or before August 31, 1967
  - 100,000 shares at \$1.00 on or before February 28, 1968
  - 100,000 shares at \$1.50 on or before August 31, 1968
- (c) Agreed that it will not, without the consent of Aetna, increase or decrease its share capital or sell, option or otherwise deal with the remaining unissued shares during the period of the above option.

Subsequent to September 30, 1965, 125,000 shares have been issued to Aetna in accordance with the terms of the Loan Agreement.







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